



# Covenant Realty Newsletter

The Local Heart Beat For Real Estate

Brought to you by: Ryan Kirkpatrick

## Real Estate Agents Get Paid Too Much

Though I've practiced real estate for a little less than two years, I come from a family of real estate and I can say that there is good reason that people have reservations about working with an agent. This is partly due to the lack of understanding people have about what we do.

Today I'd like to talk about real estate commissions since this seems to be at the top of everyone's list when searching for or selling a home. What do you think is a fair commission, 1%, 2%? The typical commission rate is 3%! Outrageous, right? Are you sure? Agents usually either represent the seller or the buyer. If and when a home closes (plenty of road blocks to keep this from happening) each agent will receive 3%. So on a home that sold for \$200,000 the commission to each agent's brokerage is \$6,000. Sounds like a lot doesn't it? Well, this is not the agent's share. The commission check is sent directly to the broker i.e. Covenant Realty, Ebby Halliday, Keller Williams etc. and the company takes a percentage of that check. This can range from 30% to 50% of the original amount of \$6,000. Let's take the brokerage's split in the middle of those two numbers at 40%. Of \$6,000, the brokerage receives \$2,400. The remaining \$3,600 goes to your agent in which they pay taxes of roughly \$750 dollars. Of the remaining \$2,850 this money will go to pay off marketing and cost of business expenses. To be conservative, these expenses cost me about \$500 dollars a month not including time or gas. So, take out the cost of these things, I am depositing \$2,350 into my checking account. When I go back and divide this by the typical 35-40 days it is taking houses to close at present, this works out to a daily rate of \$58.75 not including the time spent on finding a home. So, typically the average rate of return is going to be in the 1% to 1.5% range. I apologize to the people that look at math with insufferable disdain for putting you through this. I hope this math lesson is a little more valuable to your understanding of real estate than Biz. Calculus might have been to you in college for any reason. I still have nightmares of the growth rates of  $x$  in relationship to the velocity of  $y$ .

Lastly, on the subject of commissions paid. I was recently asked at closing by a friend I was working with if I receive any money from my relationship with the mortgage broker I referred to him. I'm glad he asked it because it gave me some introspective on what is going on in the minds of the people I'm serving. Fortunately, the answer is a resounding NO. The only money we receive as agents is at closing for our work and that is placed on the settlement statement. We do not make one penny more off of who we recommend in any shape or form. Our goal in referring business to our business associates we trust is to be able to hold them accountable, so your service can be the best all the way around. The reality is, usually the easier it looks on the outside of a real estate transaction for the client, the harder your agent is working behind the scenes. I still remember the busiest day I had last year where I had either made or received 83 phone calls on that given day! I'll save that story for the next newsletter!

Ryan Kirkpatrick



Thank you for reading! I hope you enjoy the content of these newsletters. I know we enjoy writing them. If there is anything in particular that you would like to read about in future newsletters, send us an email or you at [Answers@CovenantRealtyCorp.com](mailto:Answers@CovenantRealtyCorp.com) or you can call us at 972-424-7092.

Sincerely,  
Ryan Kirkpatrick

### Quick Quiz

Each month I'll give you a new question.

Just email us at  
[answers@covenantrealtycorp.com](mailto:answers@covenantrealtycorp.com)

What is the only radio station in the U.S.  
whose call letters match its town's name?

**Hint: It's here in Texas**

# How to Make Good Decisions in the Real Estate Market

Matters of the heart tend to hurt rather than help the negotiation process when it comes to buying and selling real estate. The following tips will help you manage the emotional ties that bind buyers and sellers to bad decisions.

**Use an Agent:** Agents do more than just show a home. They provide an impartial and objective opinion about the condition of a property, pricing and comparable real estate on the market.

**Establish a Priority List - Then Stick to It:** Every stakeholder in the buying and selling process should have a priority list that includes needs and wants. Creating such a list helps you stay organized and reduces the risk of becoming emotionally entangled in a bidding war or falling in love with unnecessary yet expensive features that won't add to the functionality

of the home. Ask your agent to focus on finding buyers or homes that meet the main needs on your priority list, and move to the wants later.

**Get a Second Opinion:** Ask a friend or family member for his or her opinion, especially if you aren't certain. But be prepared to listen to constructive criticism. Appraisers, inspectors and agents are also vital sources of expert information.

**Document:** Take plenty of photographs when buying or selling so you can share them with others. Sellers can assist buyers by providing a fact sheet that includes room dimensions, existing warranties, upgrades and other important features of the property. Or buyers can bring along a tape measure and a notebook to jot down important details.

## The Birth of a New Ocean?

A giant crack has opened up in the eastern Ethiopia desert - and it could be the beginnings of a new ocean.

The crack, which is 35 miles long and up to 20 feet wide, opened in just days in 2005, according to a report by Live Science.

It's the same kind of process that is believed to create oceans.

The rift opened up when a volcano at one end erupted, pushing magma into the gap and "unzipping" it.

Scientists believe that eventually the Red Sea will pour into the area, creating an ocean.

But that won't happen for a million years or so.

## Why Now Is Not The Time to Buy A Home

### You Plan On Moving Out Within 3 Years

Home ownership is often not the right decision if you plan on staying in your home for less than 3 years. This is due to expenses above and beyond the purchase price which are referred to as closing costs.

### You Love The Home You Are Renting

If you are satisfied with your current home, and you think your rental terms are fair, and you have faith that these terms will be extended to you indefinitely, then I think you would be crazy to move. The main objective for your home rental or home purchase should be to maximize your quality of life. If you are happy, stay.

### Nothing Stored In The Jar For A Rainy Day

This one seems like a no-brainer, but the seductiveness of owning a home can quickly turn into a headache if you don't have money for typical maintenance and repairs. There is no Landlord to be held accountable.

### Your Job Security Is Unstable

If you are worried about your job, or you think that your employment is on shaky grounds, now might not be the best time to buy a home. When you commit to owning the home, you want to know that you will be able to handle the monthly payments through any chaos in your life.

## Accidental Rocket Man

A man survived after he accidentally activated his ejector seat when on a training flight.

It's thought that during an aerobatic maneuver the man accidentally reached for the ejector lever, activating two rockets on the back of his chair that sent him skyward.

He floated back to earth with a parachute. The plan wasn't so lucky

## Did You Know?

**Can you complete these well-known phrases? Answers below.**

A chain is only as strong as its \_\_\_\_\_ link.

He got it hook, line and \_\_\_\_\_.

\_\_\_\_\_ gather before a storm.

The palest ink is better than the best \_\_\_\_\_.

(Answers: weakest, sinker, clouds, memory)

Source: [coolquiz.com](http://coolquiz.com)

# Sell First or Buy First? Which Is Right for You?

When it comes to buying and selling real estate, timing is of the utmost importance. Unfortunately, it's also a topic few people truly understand. The following are some tips to keep in mind when speaking with your real estate agent.

## **Sell before buying or buy before selling?**

It's an age-old question, but asking a few strategic questions might enable you to narrow your decision down to the right choice for your individual situation.

## **Is selling or buying a necessity or do you have some flexibility?**

Job relocation, change of marital status or other life situations often require a

relocation within a specified period of time. Equally important are the needs of the other party. Work with your agent to understand the opportunities and limitations of both sides in order to create a win-win situation.

Buying before selling typically benefits those who simply must move or relocate within a specified period of time and who are unable or unwilling to lease or rent. It is also a popular option for those seeking an exchange of property under Section 1031 of the U.S. Internal Revenue Code or for those who are attempting to minimize taxation via other deals.

Can you obtain financing or afford to carry both mortgages for any period of time?

If so, you may have a little more flexibility at your disposal. Speak to your agent about a leaseback or other temporary term. It's often possible to use these when negotiating terms.

Selling before buying can benefit those who are unable to obtain financing with an existing mortgage in place or who wish to use cash proceeds from the prior sale to fund repairs, renovations or an entire purchase.

In many instances, it is possible to arrange a simultaneous closing for both the home purchased and the home sold with contingencies that reflect this situation on both transactions.

## A Guide to Smartphone Systems

Selecting a smartphone can be tricky, but it doesn't require a PhD. The following is a rundown on some of the more popular operating systems and applications:

**iPhone:** The popularity of the iPhone shows no signs of slowing anytime soon. But one of the frustrations for business users has been trying to ensure that things like contact phone numbers on their iPhones are synced with data on their computers.

**Android:** This mobile operating system owned by Google has garnered a lot of attention and integrates seamlessly with a host of services offered by the search engine. Research company Canalys estimates that Android had 3.5% of the worldwide smartphone market in the third quarter of 2009.

**Microsoft:** Microsoft hopes its Windows CE operating system will garner market share from those who use the Symbian system. Microsoft is also adding Linux support in hopes of attracting a previously untapped market.

**Nokia:** In 2007, Nokia held 47% of the market, but it has been losing ground. Still, Nokia remains an industry standard because of its ease in syncing with both Windows and Mac systems as well as web mail and Exchange.

## What Does the Large Hadron Collider Do?

You've no doubt heard of the Large Hadron Collider (LHC) - the 17-mile-long circular instrument beneath the French-Swiss border.

The idea is to use the LHC to find answers to unresolved questions in particular physics and help explain how the universe works.

For example, scientists don't understand why tiny particles weigh the amount they do. And why do some have no

mass at all? They're looking for the Higgs boson - a particle that they think exists but has never been seen - to prove the current theory.

They also wonder what is 96% of the universe made of? The stuff we see - matter - makes up only 4% of the universe, so what is the nature of the dark matter and dark energy that are difficult to detect but exert strong gravitational forces?

## Ask the Agent: This Month's Question

**How can I be sure I'm pricing my home to sell?**

**Obtain current comparable estimates.** If you live in a neighborhood with similar-sized homes, try to find a recent sales example and then extrapolate the price per square foot to derive a rule of thumb. Increase or decrease the estimate based upon condition, age, upgrades and other amenities.

**Include income potential.** If the property is capable of generating an income via rental, then use the profit potential of the property to estimate the return on investment or ROI. Most investors expect an ROI at or above the safe, headache-free option of investing in Treasury bonds.

**Get a second opinion.** Work with a real estate agent who specializes in that location to provide valuable feedback and a second opinion. Remember, if you expect a fast sale then search for all available properties and then plan to price your home near the bottom range of the properties currently listed and sold in the area.



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**\*5% of our commissions for 2010 will go to support the people in Haiti. They no doubt will need help for a very long time, especially later in the year when the story falls off the front page.**

# January 2010

## Covenant Realty Corporation

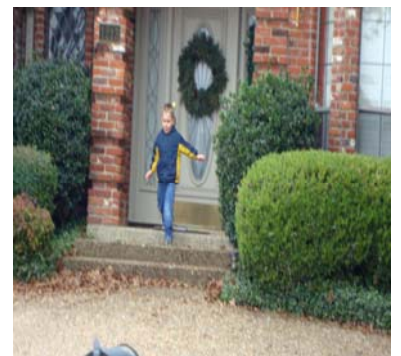
On the first weekend of January, we gathered the troops including one of our mortgage friends Kane North and his two boys Quinton and Ethan in tow. This was the day we headed out for some exercise in Pitman Creek dropping off the 2010 edition pocket planners/calendars for the second year in a row. If you'd like one, just ask they are free. We only have about 40 left.



*He wanted to join us, but it was dinner time*



*Hanging out with the Pyrz family*



*It was all about seeing how many steps could be jumped*



*Who said team building exercises can't be fun!?*